

BALLONA WETLANDS OVERVIEW AND SUMMARIES

LOS ANGELES COUNTY

Introduction

The Ballona Wetlands are the last, undeveloped and restorable wetlands of their kind in Los Angeles County. This is of particular importance since some 98% of coastal wetlands in Southern California have been destroyed or degraded. The Ballona Wetlands serve as a last refuge for several species of birds, animals, and plants and is possibly the last remaining area in the county that has the soil characteristics, hydrology, and seed bank that allow for successful wetland restoration.

The 1,087± acres of the original wetlands, once owned by industrialist Howard Hughes and serving as his private airport and birthplace of the famous "Spruce Goose" airplane, is currently owned by Playa Capital Company, LLC (Playa) or its affiliates. Stretching from the San Diego Freeway to the sea, this land has been a source of contention for well over 20 years between the landowners and those concerned about increased congestion and environmental degradation.

In 2001, the Trust for Public Land (TPL) optioned 192± acres of Playa's property located west of Lincoln Boulevard (138 acres depicted as "Area A" and 54± acres as "Area B Residential"). The project also includes 291± acres shown on the attached map as Ballona Wetlands Parcel, including 83± acres in the Ballona Creek. The total to be conveyed to the State is 483± acres.

The proposed acquisition provides congested Southern California with open space and important habitat for endangered and threatened species including the California brown pelican and Belding's savannah sparrow. The area is also a local nesting site of the great blue heron and habitat for at least ten species of reptile and amphibian species. Acquisition of the property, which the parties currently anticipate will occur 60 days following approval by the Wildlife Conservation Board, will set the stage for a comprehensive five-year restoration planning process led by the State Coastal Conservancy that will actively include members of the public.

Purchase Agreement Summary

The Purchase Agreement calls for Playa Capital Company, LLC (Playa) to convey properties in the City and County of Los Angeles located along the Ballona Creek for \$139 million to the State government. The Purchase Agreement between Playa and the State of California specifies which properties are being acquired and includes terms and conditions of the transaction.

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The transaction relates to approximately 483 acres of real property and other real property rights located along the Ballona Creek, as shown on the attached map, including:

Areas A and B Residential - Approximately 192 acres of fee property located west of Lincoln Boulevard. Approximately 138 acres of the fee property is labeled on the attached map as Area A and approximately 54 acres of the fee property is labeled on the map as Area B Residential. The entire 192± acres of fee property will be conveyed to the State for the purchase price.

Ballona Wetlands - Approximately 291± acres of fee property labeled on the attached map as the Ballona Wetlands Parcel. Of the 291 acres to be conveyed, approximately 83± acres lie within the Ballona Creek and approximately 208± acres lie outside the creek. The Ballona Wetlands Parcel will be conveyed to the State for no payment beyond that paid for Area A and Area B Residential.

Release of Purchase Rights on Area C - A release by Playa of all remaining purchase rights it has in the property labeled Area C on the attached map. A trust currently holds Area C approximately 64 acres for benefit of the people of the State. Legislation will formally transfer title of this property to the State.

Roadway Rights on Area C - A future release by Playa of an easement it holds on Area C to build a road across Area C to connect Culver Boulevard with Playa Vista Drive across a bridge to be built over the Ballona Creek. Playa is presently obligated to build the road and accompanying bridge in order to alleviate traffic resulting from its present development. Playa is attempting to obtain special relief from this obligation and will release its easement across Area C if, but only if, it obtains such relief prior to September 30, 2005. If Playa obtains relief prior to September 30, 2005, it will relinquish its easement for the road for no payment beyond that paid by the State for Area A and Area B Residential.

The property is to be conveyed by Playa to the Department of Fish and Game, Wildlife Conservation Board. Fish and Game will be the initial steward of the land.

The \$139 million negotiated purchase price is payable at closing, which is scheduled to occur 60 days following approval of the acquisition by the California Wildlife Conservation Board. The Purchase Agreement provides for possible extensions of the closing to December 31, 2003 if necessary to address specified title or survey issues, or to satisfy specified conditions to the close of escrow.

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Appraisal:

The State contracted for, and the California Department of General Services approved, an independent appraisal of the portion of the property to be purchased, Area A and Area B Residential. The appraisal was performed by qualified independent appraisers licensed by the State of California, in conformance with the Uniform Standards of Professional Appraisal Practice. The appraisal is further discussed in the Summary of Appraisal, below.

Tax Benefit Sought:

Playa believes the negotiated purchase price for Area A and Area B Residential is below the value of such portions of the property and intends to seek a tax benefit for this conveyance. Playa also intends to seek a tax benefit for the conveyance of the Ballona Wetlands Parcel for no additional consideration. The amount of any charitable gift will be determined by relevant government authorities. The State will acknowledge Playa's intent to make a charitable contribution and accept such gift of the property to the extent the fair market value of all the property conveyed exceeds the purchase price. The State is making no guarantee regarding the tax treatment of the transaction.

Freshwater Marsh:

Although not a part of this transaction, in connection with its development of adjacent property, Playa has created a freshwater marsh located at the Southwest corner of Lincoln and Jefferson Boulevards. The area within which the freshwater marsh has been created is approximately 38 acres and is labeled on the attached map. Playa continues to own the marsh and approximately 22 acres next to the marsh, which additional property is labeled on the attached map as the Expanded Wetlands Parcel. In connection with its previous option to purchase Area C, Playa agreed to convey both the freshwater marsh and the Expanded Wetlands Parcel (approximately 60 acres in the aggregate) to the State of California. This agreement is still in effect even though the option in favor of Playa has expired. If the State elects not to accept the conveyance, then Playa must offer to convey these properties to the City of Los Angeles. It is anticipated that the State will accept the conveyance and that the conveyance will occur in early 2004. After conveyance, Playa must either maintain or provide for maintenance of the freshwater marsh in perpetuity.

Southern California Gas Parcel:

Playa owns fee title to a small property adjacent to the Ballona Wetlands Parcel labeled on the attached map as the Southern California Gas

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Company parcel. Southern California Gas Company holds a perpetual right to occupy the parcel for purposes of accessing an underground natural gas storage facility, and presently maintains above ground storage tanks and other facilities used to store and distribute natural gas. The rights held by Southern California Gas Company were originally sold to its predecessors by the U.S. government after World War II when the federal government divested itself of petroleum reserves condemned for use during the war. Southern California Gas Company also holds other easements for oil and gas wells in the area, including easements for gas wells located on the property to be conveyed by Playa to the State. Gas wells are presently used to monitor the underground natural gas storage facility and, in some instances, to pump natural gas into and out of the storage facility.

The State may not take ownership of the land occupied by Southern California Gas Company in connection with this transaction.

Playa has informed the State that it intends to transfer its fee interest in the Southern California Gas Company parcel to the Southern California Gas Company concurrently with its conveyance to the State of Area A, Area B Residential and the Ballona Wetlands Parcel, so long as negotiations provide for the State's ability to acquire this property at no cost should the Southern California Gas Company ever offer the property for sale. If unsuccessful, the property may be transferred to the State as part of this transaction.

Parties' Obligations and Conditions:

The parties' obligations to close the transaction are subject to conditions, including:

The State must approve title of the property and be reasonably satisfied with matters disclosed by surveys of the property, including environmental surveys, and be satisfied that existing lawsuits and judgments affecting the property do not impose obligations upon the property for which the State will have responsibility following the conveyance.

The State must receive and approve a commitment from the Trust for Public Land, or a similar organization, to provide initial stewardship of the property for a period of up to five years following the conveyance, during long term restoration planning for the property.

Except as specified in the Purchase Agreement, the State is acquiring the property in its current condition.

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No Release of Playa's Liability:

The State is not releasing Playa from any liability for the clean up of hazardous materials, if any, required under applicable law. Southern California Gas Company is liable under existing law for contamination on the property, if any, associated with its wells and operations.

Environmental Surveys:

Various environmental surveys of the property, including an environmental site assessment, have been performed to evaluate the suitability of the property for development. An updated environmental site assessment is being performed in accordance with current professional (ASTM) standards, which updated assessment will be available for review and approval by the State prior to the conveyance. The following environmental conditions are known to exist on the property:

Naturally occurring soil gases, including methane, have been detected on the property. Levels of methane detected on the property are generally lower than levels detected on adjacent property where residential development is underway.

Historic oil and natural gas wells exist on the property, including wells that have been abandoned and wells that are presently used by Southern California Gas Company to monitor and operate its underground natural gas storage facility.

Portions of the property have been used in the past as (i) a repository for sludge dredged from the Marina Del Rey harbor, (ii) a landfill for agricultural waste, and (ii) a gun club.

Testing of both soil and groundwater on the property, including testing intended to address the historical uses of the property, has identified localized areas on the property where minor amounts of contaminants are present. The updated environmental assessment will further evaluate the risk associated with the identified contaminants.

Special Tax (Mello-Roos District) Issues:

The portion of the property referred to as Area B Residential is presently located within the boundaries of a Mello-Roos Community Facilities District known as CFD No. 5, which district is under the jurisdiction of the City of Los Angeles. Property located within the boundaries of CFD No. 5 may be assessed a special tax to pay for the construction of streets, sewers and other infrastructure in the district. Playa has represented that all but approximately one-half of one acre of the property to be conveyed to the State is exempt

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from taxation by the district. The Purchase Agreement requires that Playa provide evidence of the exemption to the State prior to the conveyance. The district has not yet issued any bonds, and no special tax is currently payable. However, Playa has agreed to pay any special tax levied against the property and to cause the property to be removed from the boundaries of the district within five years. If removal is not accomplished within five years, then Playa has committed to provide to the State cash collateral that may be used to pay all future levies, if any, payable by the State with respect to the property.

Existing Rights and Leases:

Various parties have acquired from Playa, and from Playa's predecessors, rights to occupy small portions of the property. The State will take the property subject to these rights, including:

Leases granted by Playa to the County of Los Angeles for parking for the County Sheriff and for the Department of Beaches and Harbors upon a small portion of Area A. These leases may be terminated by the State.

A lease granted by Playa to the County of Los Angeles Flood Control District to access the Ballona Creek from Area A to remove trash and debris. This lease may also be terminated by the State.

A license granted by Playa to a group known as Friends of Ballona Wetlands who perform work to restore sand dunes located in the Ballona Wetlands Parcel. This license is presently being modified by Playa and the Purchase Agreement allows the State to accept or reject the license in its modified form.

A license to the Ballona Wetlands Foundation allowing the Foundation (in association with Loyola Marymount University) to restore habitat and perform other educational functions within a portion of the Ballona Wetlands Parcel. This license is also being modified by Playa and the Purchase Agreement allows the State to accept or reject the license in its modified form.

Licenses granted to several business owners along Culver Boulevard for minor encroachments upon the Ballona Wetlands Parcel. These licenses are all terminable and are subject to review by the State prior to closing.

Easements running in favor of Southern California Gas Company for gas wells to monitor its natural gas storage facility and to inject and remove natural gas from its storage facility.

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Easements running in favor of a majority of homeowners located along the Western boundary of the Ballona Wetlands Parcel for small encroachments.

Easements running in favor of Playa for the widening of Culver and Lincoln Boulevards and for the installation of other infrastructure relating to the Playa Vista Development.

Approval by State:

The Purchase Agreement is subject to approval by the California Wildlife Conservation Board, which will be considered at a public meeting, and by the Director of the California Department of General Services following WCB action.

Appraisal Summary

An independent appraisal analysis was performed on Area A and Area B Residential by Members of the Appraisal Institute (MAIs) who are also Certified General Real Estate Appraisers licensed by the State of California. The appraisers certify that they have no financial interest in the property, nor do they have any bias with respect to the parties involved in the transaction. The valuation report and analysis conform to the Uniform Standards of Professional Appraisal Practice (USPAP), the supplemental requirements and Code of Professional Ethics of the Appraisal Institute, and generally accepted appraisal practice.

The property appraised contains approximately 192 acres (Area A & Area B Residential) and has prior approvals from the California Coastal Commission and local jurisdictions, but the prior plan requires modification and the property requires further significant approvals from each of the jurisdictions including the Coastal Commission before any development could occur. There are also sensitive environmental resources that would limit the development footprint ultimately approved for the property. After thorough interviews and analysis, the appraisers determined that the highest and best use of the property is future development with primarily residential uses, and on-site preservation and enhancement of wetland and buffer areas. About 65 acres of the property was projected to be set aside as open space. Therefore, if the property were developed to its highest and best use, little or no off-site mitigation would be required. Also reflected in the valuation are 3 ½ - 4 ½ years of entitlement and projected litigation delays prior to development.

In preparing the appraisal, the appraisers performed the following tasks:

The property and surrounding area were inspected several times by the appraisers, including an inspection with the property owners and representatives of the Wildlife Conservation Board on June 10, 2003;

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The physical, legal, and economic characteristics of the property were investigated, including review of numerous public and consultant documents.

Representatives of City, County, and State planning and land use departments and commissions were consulted, as were documents including relevant planning and land use regulations and maps. A partial list of individuals interviewed for this appraisal includes members of neighborhood/preservation groups, staff (planning and scientific) of the California Coastal Commission, the Executive Director of the Coastal Commission, the Chair of the Coastal Commission, the Director of the California Department of Fish and Game, Southern California Gas Company representatives, City and County planning officials, property owner representatives and consultants, and attorneys for both the State and property owner;

The relevant regulations relating to wetlands and other environmentally sensitive areas were investigated, particularly in light of the Coastal Commission jurisdiction and Bolsa Chica appellate decision;

Both the 'sales comparison' and 'subdivision development analysis' approaches were used in valuing the property. These two approaches are commonly relied upon by market participants for a property such as the land in question. There are no other approaches that would be relevant in this case and the two approaches were reconciled into a final conclusion of fair market value for the entire property;

The Department of General Services (DGS) reviewed the appraisal and concluded that the content, analysis and conclusions stated in the report are in compliance with the applicable (DGS) standards and requirements of the USPAP. DGS also approved the fair market value opinion stated in the appraisal report.

Interim Management

As part of this transaction, the Trust for Public Land (TPL) has agreed to provide initial stewardship of the property consistent with the stewardship Playa has been providing at the Ballona Wetlands for the last decade. This obligation would begin at the close of escrow and last for not more than five years, while long-term restoration planning is underway. The goal of interim management would be to preserve the property in its existing condition. Stewardship activities would include security, maintenance and repair of existing property fencing, weed abatement and trash removal, and invasive non-native species control.

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The California Department of Fish and Game will designate a contact person for the property and act as a liaison between TPL and the public.

The State asked TPL to provide interim property stewardship to bridge the gap between the State taking ownership and the completion of the comprehensive long-term restoration planning (summarized below) which the State Coastal Conservancy has agreed to fund and lead. The Conservancy estimates that this planning (including environmental (CEQA) review and permitting) will take approximately five years, a fact that was central to determining the duration of the interim stewardship period. The plan will be the means by which the State determines the final disposition for ownership and management.

Summary of Long-Term Restoration Planning for Ballona Wetlands

The natural resource goals for the long-term restoration planning for the Ballona Wetlands are:

- restore tidal circulation to the extent feasible;

- provide the range of freshwater, brackish and saltwater wetland habitat that is typically associated with a coastal estuary; and

- provide significant new habitat area for a variety of native species of plants and animals, including migratory birds.

Additional long-term restoration planning goals include:

- providing for cost-effective flood management;

- protecting cultural resources; and

- providing appropriate public access, public recreation, educational and interpretive opportunities.

A collaborative planning process will be organized to develop the technical studies necessary to design long-term restoration plans and meet these goals in a timely and cost-effective manner. A project management team will be organized under the leadership of the Southern California Wetlands Recovery Project (SCWRP) and will be composed of seventeen State and federal agencies including the U.S. Fish and Wildlife Service, National Marine Fisheries Service, and the California Coastal Commission. The California Coastal Conservancy will provide the initial funding for this planning initiative.

In order to ensure the development of a scientifically sound and public supported plan, the project team will establish a technical advisory panel and actively

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engage all stakeholders including regulatory agencies, conservation groups, local governments and regional planning entities such as the Santa Monica Bay Restoration Commission. This substantial new public acquisition will enable all prior planning to be extended and refined, with frequent opportunities for organizations, agencies and individuals to become involved in the planning process. Completion of the initial stage of scientific studies and engineering feasibility analyses is currently anticipated within two to three years.

Information regarding the Ballona Wetlands Restoration project, including meeting notices, technical studies and project updates, will be made available at a future date to the public through the SCRWP website, www.coastalconservancy.ca.gov/scwrp.

Public Availability of Purchase Agreement and Environmental Surveys

Copies of the full Purchase Agreement, and the environmental surveys of the properties proposed to be acquired are available for viewing by the public during regular business hours at the following locations:

1. Wildlife Conservation Board
1807 13th Street, Suite 103
Sacramento, California 95814
(916) 445-8448
Contact: Mary Grande
2. The California Resources Agency
1416 Ninth Street, Suite 1311
Sacramento, California 95814
(916) 653-5656
Contact: Amanda Soward
3. Los Angeles River Center and Gardens
570 West Avenue Twenty-six (at San Fernando Road)
Los Angeles, California 90065
(323) 221-9959, Ext. 0
Contact: Receptionist
4. Franklin Canyon Park
2600 Franklin Canyon Drive
Beverly Hills CA 90210
(310) 858-7272, Ext. 0,
Contact: Bree Robb